Select Committee on Economic Disparity and Fairness in Growth
U.S. House of Representatives
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Memorandum

To: Members, Select Committee on Economic Disparity and Fairness in Growth
From: Select Committee Majority Staff
Subject: December 8, 2021, Select Committee Hearing entitled, "Growing our Economy by Investing in Families: How Supporting Family Caregiving Expands Economic Opportunity and Benefits All Americans"

The Select Committee on Economic Disparity and Fairness in Growth will hold a hearing entitled "Growing our Economy by Investing in Families: How Supporting Family Caregiving Expands Economic Opportunity and Benefits All Americans" on Wednesday, December 8, 2021, at 11:00 AM ET in Room 2118 of the Rayburn House Office Building. There will be one panel with the following witnesses:

- **Dr. Michelle Holder:** President and CEO, Washington Center for Equitable Growth
- **Ms. Ai-jen Poo:** Co-Director of Caring Across Generations and Co-Founder and Executive Director of the National Domestic Workers Alliance
- **Ms. Melissa Boteach:** Vice President for Income Security and Child Care/Early Learning, National Women's Law Center
- **Mr. Elliot Haspel:** Early-childhood policy expert and author of "Crawling Behind: America's Childcare Crisis and How to Fix It;" Program Officer, Education Policy and Research at Robins Foundation
- **Mrs. Denise L. Johnson**: Mother from Summerville, SC

Overview

This hearing will discuss how access to affordable and high-quality care for American families can enhance economic growth. We will highlight the negative economic impacts of underinvestment in America's families and emphasize how greater investment in the care economy will encourage inclusive economic growth by supporting families, increasing labor force participation, supporting businesses, and strengthening future human capital by providing children with quality care and early learning opportunities. The hearing will also explore the paucity of care workers and the costs and increasing demand for elder care, which also affects labor force participation. We will highlight how successful programs and other potential sources of investment, including from proposed Build Back Better legislation, can help accelerate economic recovery from the COVID-19 pandemic and promote effective long-term economic growth.

Introduction: Why Caregiving Matters for Economic Growth

The resources – i.e., time and/or money – to provide care for family at home are the economic foundation on which the economy is built. The Census estimates close to 16 million families have children under six.[1] Any working-age adult in those households, along with any other working age adult living with other dependent family members, must ensure care is provided for their family, whether paid or unpaid, before leaving the home to fully participate in the market economy. Some potential workers choose to provide that care themselves instead of working, valuing raising their children or caring for their relatives. Others may take jobs with lower wages, fewer benefits, and more flexible schedules to maintain their daytime caregiving role. And others still may want to work in a traditional job with traditional hours, but do not because they cannot find or afford quality care for their loved ones.

This lack of access to affordable care can force parents, often working mothers, to take long breaks from their careers, compounding gender pay gaps and depriving the economy of their potential contributions. These constraints faced and choices made by working adults who have caregiving responsibilities at home—whether for their kids or their elderly parents—are a fundamental determinant of the quantity and quality of labor that can be supplied to the market economy. Also, when working parents must juggle too many responsibilities between their work and their care of family, the quality of care they provide for their own children can suffer.

The jobs of primary caregivers who are able to work in turn support the market jobs of other people, and so on —a supply-side multiplier effect. Because every kind of work and economic activity sits atop and relies upon the layers of human supports underneath it, when the foundation of caregiving is compromised because a primary source of care (person or place) is taken out, it shakes the foundation of our economy – a phenomenon that played out in the real world at the start of the COVID-19 pandemic when schools and daycare centers closed.

Because the market economy undervalues caregiving work (at low or zero wages) relative to its actual value added to our economy and society, demand for caregiving services outstrips supply. The lack of sufficient financial support for families as they have children, and the shortages of care workers caused by market wages that fall far short of the true economic value of caregiving work, is a classic case of market failure. There is no purely private-sector solution to the lack of access to affordable care since caregiving work cannot be automated, and the providers cannot raise prices given that child care is already financially out of reach for many parents.[2]

Conventional economic theory calls for government to subsidize and invest in formal or informal caregiving work to encourage growth in the supply of the caregiving sector (more caregiving workers incentivized by higher wages, and more care-providing businesses) while also investing in the productivity and well-being of children, the future US workforce.[3]

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[1] U.S. Census Bureau. ASEC, Table H2. Households, by Type, Age of Members, Region of Residence, and Age of Householder: 2020. [Accessed December 3rd, 2021]
[2] First Five Years Fund. "Latest Economic Data Underscores the Need for Significant, Sustained Investment in Child Care and Early Learning." August 30th, 2021.
[3] U.S. Department of the Treasury. "The Economics of Child Care Supply in the United States." September 2021.

Size and Scope of the Care Economy

Even before the pandemic, the research on the potential total market value of the products and services in the care economy underscored its sizeable role in the economy. According to the innovative estimates by the Pivotal Ventures' "The Investor's Guide to the Care Economy: Four Dynamic Areas of Growth" report, the total potential market value of both formal and informal (currently unpaid) services and goods in the US caregiving sector was estimated to be at least $648 billion in 2019.[4] Within these estimates, the goods and services, formal and informal, for infant and child care, aging-in-place and home-based care, and non-home long-term care were estimated at $526 billion.

At the same time, another report estimates the market value of paid child care services market alone was $60 billion, or about 0.25 percent of US GDP.[5] The estimated shortages in supply of child care slots further indicate the untapped potential for growth in the industry. For instance, a recent analysis of child care access in the US found that half of Americans live in neighborhoods where there are more than three times the number of children under the age of 5 as there are licensed child care slots.[6] According to a separate Bipartisan Policy Center 2019 analysis, the gap between the formal supply of child care slots and the potential need for care for children under 6 with all available parents in labor force in 35 states stood at 31.16%.[7] The estimates vary greatly by state. For instance, in California, the child care gap was 40.3% - meaning that for parents of 716,300 children in the state, formal child care is out of geographic reach.[8]

The direct economic impact of the assisted living sector alone was estimated at $32 billion in 2018.[9] Further, according to the latest AARP data, there are about 48 million individuals in the US who provide unpaid care to an adult family member or friend.[10] Almost 80% of these caregivers report out-of-pocket expenses totaling an average of $7,242 per year. In addition, about half of caregivers report using their own money to cover the costs of household-related expenses, including covering rent or mortgage payments, and medical costs for their loved ones.[11] For a caretaker, unpaid care for a family member is estimated to cost approximately $300,000 of earnings over lifetime[12] or about 13% to 20% of average lifetime earnings.[13] In addition, women of color have reported spending more hours per week on caregiving – often foregoing job opportunities and income due to ongoing care responsibilities.[14]

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[4] The Pivotal Ventures. "The Investor's Guide to the Care Economy: Four Dynamic Areas of Growth." July 14th, 2021.
[5] U.S. Department of the Treasury. "The Economics of Child Care Supply in the United States." September 2021. US Treasury notes that, "the total market value includes revenues generated through sales, grants, or donations. Child care services include infant and child day care centers, prekindergarten and preschool centers, and nursery schools."
[6] Center for American Progress. "America's Child Care Deserts in 2018." December 6th, 2018.
[7] The Bipartisan Policy Center. "Child Care Gaps Assessment". October 2020. According to the Bipartisan Policy Center, the analysis was limited to 35 states due to the pandemic-driven interruption in the research.
[8] Ibid.
[9] American Health Care Association and National Center for Assisted Living. "Assisted Living: A Growing Aspect of Long-Term Care." 2018.
[10] AARP Public Policy Institute. "Caregiving in the United States 2020." May 14th, 2020.
[11] AARP Research. "Caregiving Can Be Costly-Even Financially." June 2021.
[12] American Action Forum. "The Ballooning Costs of Long-Term Care." February 18th, 2020.
[13] Social Security Administration. Research, Statistics & Policy Analysis. 2015. [Accessed on December 2nd, 2021]
[14] KFF Health Tracking Poll - October 2021: Home and Community Based Services and Seniors' Health Care Needs. October 15th, 2021.

Compared to other developed countries, the US invests comparably less in care supporting programs. In 2017, the US ranked 36th out of 37 OECD countries in terms of public investment in families as measured by "child-related cash transfers (cash benefits) to families with children, public spending on services for families with children, including direct financing and subsidizing of providers of child care and early education facilities, and financial support for families provided through the tax system."[15]

The Economic Aftermath of the COVID-19 Pandemic

The necessary emergency measures imposed across the country to curb the spread of COVID-19 in 2020 crystallized the importance of care work to keep the US market economy running. As millions of workers faced challenges caring for their children or their parents, the economy suffered drastic losses in labor force participation, particularly among women, and immense turnover and job loss for care providers, resulting in worker shortages and losses in business productivity. The lived experiences during COVID-19 have underscored the role of care as an essential pillar of the market economy—in all times and not just pandemic times. Effects from underinvestment in care manifested themselves in adverse economic shocks amid the pandemic.

Effects on Women's Labor Participation Rate

Since the start of the pandemic in the US, over 1.7 million women left the labor force, and 1.8 million women were underemployed as of October 2021.[16] Two primary factors have driven these trends: the first is the increase in unpaid care responsibilities for working parents,[17] especially mothers,[18] due to changes in child care availability.[19] Indeed, a recent survey by McKinsey finds that the pandemic has significantly increased care responsibilities among parents, with 40% of mothers and 27% of fathers reporting adding an extra 15 hours of caregiving per week.[20] For Hispanic/Latina and Black mothers, McKinsey reports, the impact has been even more pronounced, as they "are 1.6 and 2.0 times more likely, respectively, than white mothers to say that they are responsible for all child care and housework."[21]

Further, while the pandemic has adversely impacted labor market outcomes for both the parents of school-age children[22] and the parents of very young children (those five and under), mothers of very young children appear to be most severely affected.[23] According to the Federal Reserve

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[15] OECD. Family benefits public spending (indicator). [Accessed on November 26th, 2021]
[16] National Women's Law Center. "Women Gained 57% of Jobs Added to the Economy in October but Still Need Almost 8 Months of Growth at October's Level to Recover Pandemic Losses." November 2021.
[17] UN Women. "COVID-19 and the care economy: Immediate action and structural transformation for a gender-responsive recovery." 2021.
[18] Alon, et al. "From Mancession to Shecession: Women's Employment in Regular and Pandemic Recessions."April 2021; Lim, Katherine and Mike Zabek. "Women's Labor Force Exits during COVID-19: Differences by Motherhood, Race, and Ethnicity." Finance and Economics Discussion Series 2021-067. Washington: Board of Governors of the Federal Reserve System. September 23rd, 2021.
[19] Russell, Lauren, and Chuxuan Sun. "The Effect of Mandatory Child Care Center Closures on Women's Labor Market Outcomes during the COVID-19 Pandemic." Covid Economics. December 3rd, 2020.
[20] McKinsey & Company. "Unequal America: Ten insights on the state of economic opportunity." May 26th, 2021.
[21] Ibid.
[22] Heggeness, Misty L. Estimating the immediate impact of the COVID-19 shock on parental attachment to the labor market and the double bind of mothers. Rev Econ Household 18, 1053–1078. October 24th, 2020.
[23] Russell, Lauren, and Chuxuan Sun. "The Effect of Mandatory Child Care Center Closures on Women's Labor Market Outcomes during the COVID-19 Pandemic." December 3rd, 2020;

Bank of Atlanta, women with very young children made up 10% of the pre-pandemic workforce yet accounted for almost a quarter of the unanticipated employment losses related to COVID-19.[24] To demonstrate the dependence of labor force participation on access to child care, Russell et al. (2020) find that the state-mandated closures of child care centers, implemented to curtail the spread of the COVID-19 virus, were associated with the average increase of 2.7 percentage points in unemployment among mothers with very young children in the short-term and with a 4 percentage points increase in the long-term, had the closures never been implemented. Furthermore, Alon et al. (2021) found that the decline in work hours and employment has been more pronounced for single mothers in the aftermath of the pandemic, with the difference being primarily driven by their occupations.[25] Likewise, the results of a Harvard Business Review survey suggest that the availability of quality child care, a significant constraint even before the COVID-19 pandemic, will likely be a determining factor for reengagement of women with very young children in the labor force.[26]

Effects on Care Workers

The pandemic's concentrated negative impact on employment sectors with high female shares, including the care sector, also drove many women out of the workforce. After decreasing 36% immediately after the pandemic began, employment in child care has now declined by 10% compared to pre-pandemic numbers.[27] The National Association for Education of Young Children (NAEYC) survey from July 2021 of over 7,500 child care providers found that more than one-third were considering closing their family child care home or leaving their child care job within the next year.[28] Moreover, 80% of respondents from child care centers reported experiencing a staffing shortage, with 78% of survey respondents citing low wages as the main recruitment challenge.

Marked by staffing shortages even pre-pandemic, especially in rural areas, a vast majority of long-term care facilities and home care agencies now report being critically understaffed.[29] Confirming the results of the NAEYC and AHCA surveys, an analysis of a recent jobs report (Figure 1) demonstrates that even as women's jobs began to grow again, the gap in child care and elder care jobs persisted. Namely, while overall payroll employment is still 2.6% below pre-COVID-19 (February 2020) levels, caregiving jobs were still 12% below pre-pandemic levels.

Pitts, Melinda M. "Where Are They Now? Workers with Young Children during COVID-19." Federal Reserve Bank of Atlanta. September 2021.

[24] Pitts, Melinda M. "Where Are They Now? Workers with Young Children during COVID-19." Federal Reserve Bank of Atlanta. September 2021.

[25] Alon, et al. "From Mancession to Shecession: Women's Employment in Regular and Pandemic Recessions." NBER Working Paper 28632. April 2021.

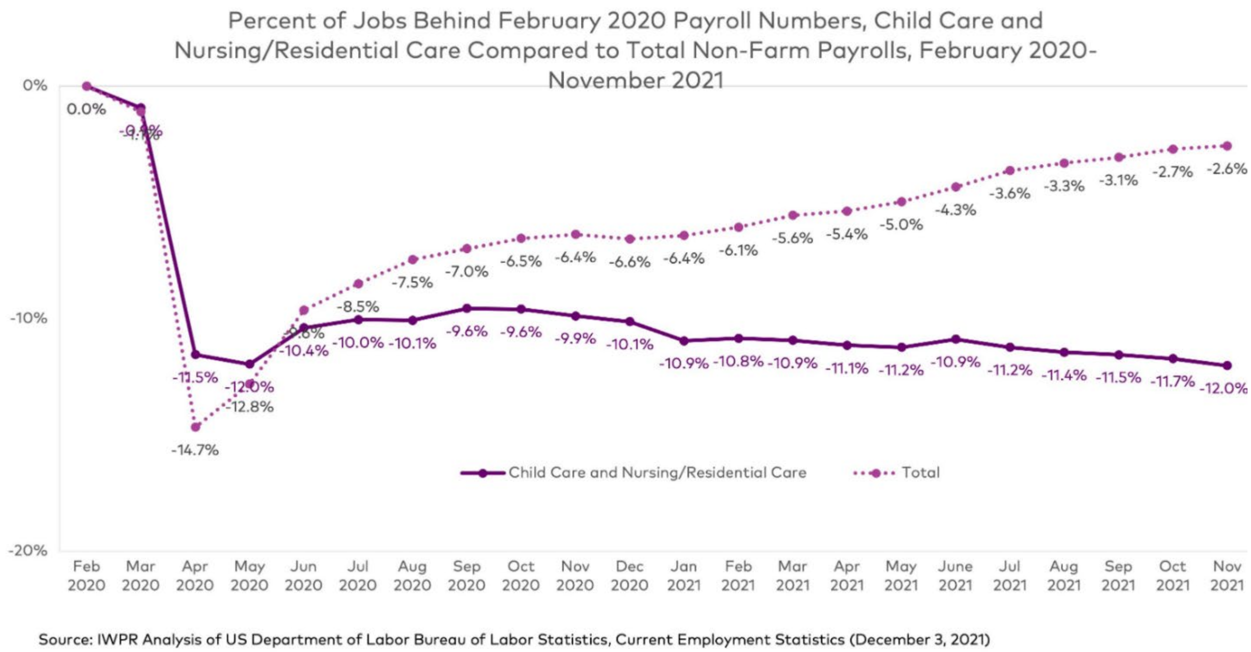
[26] Harvard Business Review. "Child care is a Business Issue." April 29th, 2021.

[27] Rampell, Catherine. "The November Jobs Report Shows Covid Is Still the Boss of the Economy." The Washington Post. December 3rd, 2021.

[28] National Association for the Education of Young Children. Progress and Peril: Child Care at a Crossroads. July 2021.

[29] Forbes. Staff Shortages Are Hammering Long-term Care Facilities, Home Care Agencies, and Families. 2021; American Health Care Association and National Center for Assisted Living (AHCA). State of the Long-Term Care Industry. September 2021.

Figure 1. IWPR analysis of the Trends in Nursing/Residential and Child Care Jobs



Effects on Child Development and Potential

Given the growing evidence of the importance of early years of child development, the pandemic-driven interruptions in critical care services that provide opportunities for early learning, socialization, and in some cases, healthy nutrition (e.g., school lunches) may produce long-term impacts on children, generating significant future social and economic costs.[30] For instance, a recent study in Virginia showed significant declines in public school prekindergarten enrollment (20%) and in kindergarten enrollment (13%) between the fall of 2019 (pre-pandemic) and the fall of 2020 (mid-pandemic), with the more significant declines among the economically disadvantaged, and Black and Hispanic children.[31]

The Increasing Costs of Care

The pandemic did not on its own make caregiving expensive, create the negative economic drag of reduced labor participation rate and limit economic activity – it only exacerbated pre-existing deficiencies. Child care costs have dramatically increased 214% since 1990, outpacing price increases (Figure 2) for housing, groceries, and all other items during the same time period.[32]

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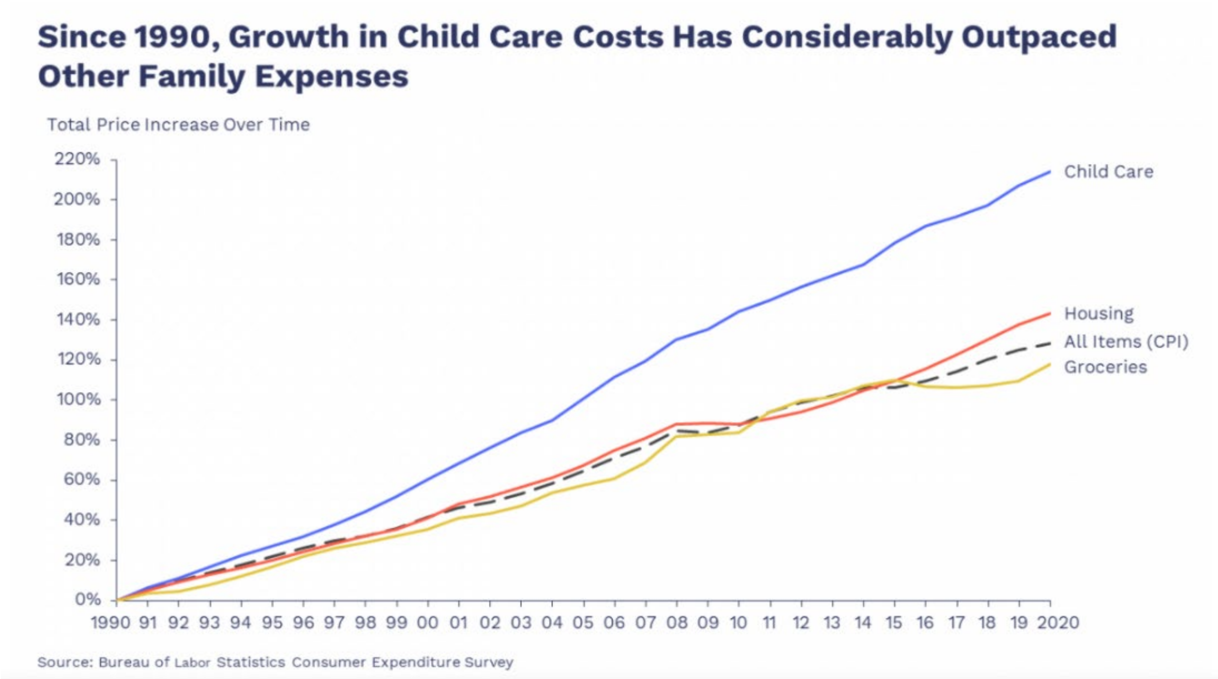
[30] Rao, Nimala and Phillip A. Fisher. The impact of the COVID-19 pandemic on child and adolescent development around the world. Society for Research in Child Development. September 27th, 2021.
[31] Bassok, Daphna and Anna Shapiro. "Understanding COVID-19-era enrollment drops among early-grade public school students". The Brookings Institution: Brown Center Chalkboard. February 22nd, 2021.
[32] First Five Years Fund. "Latest Economic Data Underscores the Need for Significant, Sustained Investment in Child Care and Early Learning". August 30th, 2021.

Figure 2. Trends in Prices for Child Care and other Items (Consumer Price Index)



Source: First Five Year Fund.

The US Department of Health and Human Services (HHS) set the standard that affordable child care should cost families no more than 7% of their income.[33] Yet the US Treasury Department found that families with at least one child under age 5 paid about 13% of family income for child care in 2017,[34] and other estimates suggest that for low-income[35] families, child care costs rise to 35%.[36] To illustrate the differential, the Economic Policy Institute (EPI) estimates that in Florida, the average annual cost of infant care is $9,238, or $770 per month, and 17.2% of a median family income-$53,859.[37] The average child care for a 4-year-old costs $7,282 or $607 per month. If family child care expenses were capped at the recommended 7% of the income, a typical Florida family with an infant would save about $5,248 per year. In turn, more parents would have the opportunity to enter the workforce, potentially expanding Florida's economy by 0.8% or $7.6 billion in new economic activity.[38]

[33] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care. Child Care and Development Fund final rule frequently asked questions. December 14th, 2016.
[34] U.S. Department of the Treasury. "The Economics of Child Care Supply in the United States." September 2021.
[35] Center for American Progress uses the definition of "low-income" as any family income below 200 percent of the federal poverty level, which for a family of four is $51,500 per year. Office of the Assistant Secretary for Planning and Evaluation, "2019 Poverty Guidelines," available at https://aspe.hhs.gov/2019-poverty-guidelines.
[36] Center for American Progress. "Working Families Are Spending Big Money on Child Care." June 20th, 2019.
[37] Economic Policy Institute. The cost of Child Care by State. October 2020 (Child care prices used in the estimates are based on the report Child Care Aware of America, The U.S. and the High Cost of Child Care: A Review of Prices and Proposed Solutions for a Broken System, 2018; median family income estimates are from the Bureau of Economic Analysis, GDP and Personal Income Regional Economic Accounts, 2017.)
[38] Ibid.

Effects on Women's Labor Force Participation

Prohibitively expensive child care costs lead many parents, particularly mothers, to leave the labor force. For instance, nearly 30% of working women leave the labor force when they have a child.[39] Leaving the labor force results in significant losses in potential earnings for women, referred to as "motherhood wage penalty." [40] However, if they choose to do so, women can stay connected to the labor market, retaining their income, ensuring future retirement security, and staying updated with the required job skills, if provided with paid family leave or affordable child care (or both). For example, introduction of paid family leave in California and New Jersey was associated with increased labor force participation among mothers.[41] In the meantime, if access to affordable child care is not improved, women and the economy at large would miss out on potential earnings and savings. For instance, affordable child care is estimated to increase the lifetime earnings of women with two children by about $94,000, leading to an increase of about $20,000 in cumulative private savings and an additional $10,000 in Social Security benefits. For the current generation of mothers, the collective lifetime earnings would be boosted by about $130 billion if affordable child care were an option.[42]

Effects on Care Sector Workers

Families are finding child care to be increasingly financially out of reach, yet on average care workers earn just $12.24 per hour.[43] Notably even pre-pandemic, 16% of child care workers lived in poverty, most of whom are women – disproportionately immigrant women and women of color.[44] In the meantime, many of the child care workers are parents themselves struggling to afford the market prices of child care. For instance, EPI estimates that an average child care worker in Florida would have to spend 42.2% of her earnings to place her child in infant care.[45] The lack of affordable child care thus precludes care workers themselves from fully participating in the labor market, further contributing to care worker labor shortages. From the macroeconomic perspective, the low market wages in the sector as well as lack of funding for workforce training further exacerbate both the supply of workers and longer-term economic growth from forgone productivity gains over the next ten years.[46]

Effects on Private Sector Productivity

The market failure in the child care sector also generates significant costs for American businesses. The U.S. Chamber of Commerce Foundation estimates costs to employers between $375 and $500 per working-aged adult due to child care-related absences and employee turnover

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[39] Jones, Kelly and Britni Wilcher. "Reducing maternal labor market detachment: A role for paid family leave." 2020.
[40] Looze, Jessica and Sameeksha Desai. "Economic Engagement of Mothers: Entrepreneurship, Employment, and the Motherhood Wage Penalty." December 19th, 2020.
[41] Ibid.
[42] National Women's Law Center. "A Lifetime's Worth of Benefits: The Effects of Affordable, High-quality Child Care on Family Income, the Gender Earnings Gap, and Women's Retirement Security. March 2021.
[43] Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook*, Childcare Workers, at https://www.bls.gov/ooh/personal-care-and-service/childcare-workers.htm [visited *November 28th, 2021].*
[44] National Women's Law Center. "A Lifetime's Worth of Benefits: The Effects of Affordable, High-quality Child Care on Family Income, the Gender Earnings Gap, and Women's Retirement Security. March 2021.
[45] Economic Policy Institute. The cost of Child Care by State. October 2020.
[46] Moody's Analytics. "Macroeconomic Consequences of the Infrastructure Investment and Jobs Act & Build Back Better Framework." November 4th, 2021;
Moody's Analytics. Macroeconomic Impact of Home and Community-Based Services Expansion, September 20th, 2021.

– cumulatively totaling about $3 billion in lost revenue per year.[47] Moreover, lack of access to quality and affordable child care hurts businesses by limiting the supply of talent, and turnover costs businesses about 150% of an hourly manager's salary and 20% of employee's salary.[48]

Entrepreneurship, an economic activity that can potentially offer more autonomy and flexibility for parents and help enhance American innovation, is also made more difficult by child care challenges.[49] Small businesses may struggle to stay competitive as they face comparatively higher costs than larger firms to provide paid leave - potentially leading to hiring disadvantage.[50]

Effects on Child Development and Potential
Finally, the most significant costs of underinvestment in affordable and quality child care and early childhood education opportunities accrue to children. In 2020, the Bipartisan Policy Center estimated that about 31.7% of children below six, with both parents in the labor force, were not provided with access to formal child care facilities.[51] In terms of quality of child development, this gap presents a grave threat to future economic well-being of children. High quality and affordable child care are crucial to children's long-term economic outcomes, as research has shown, because disparities in student achievement often take root well before children are 5 years old.[52] The first few years of life are especially crucial in human development and directly influence "economic, health and social outcomes for individuals and society. Adverse early environments create deficits in skills and abilities that drive down productivity and increase social costs—thereby adding to financial deficits borne by the public."[53]

An Economic Growth Strategy: The Size and Potential of the Care Economy

The costs outlined above have led experts to argue that failing to make robust and urgent investments in care workers to support American families could exacerbate the economic toll of the pandemic and curtail the recovery.[54] In addition to potentially creating tens of thousands of care sector businesses and jobs, investment in the care sector could create manifold economic benefits, including increased labor force participation among working parents (leading to increased business productivity), increased educational attainment and income among working parents, and long-term investment in the future workforce: American children. Below are some examples of potential benefits from increasing the supply-side of the caregiving sector:

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[47] U.S. Chamber of Commerce Foundation. "Untapped Potential: Economic Impact of Childcare Breakdowns on U.S. States." February 28th, 2020;
U.S. Chamber of Commerce Foundation. "The Bedrock of American Business: High Quality Early Childhood Education."
[48] U.S. Chamber of Commerce Foundation. "The Bedrock of American Business: High Quality Early Childhood Education."
[49] Looze, Jessica and Sameeksha Desai. "Economic Engagement of Mothers: Entrepreneurship, Employment, and the Motherhood Wage Penalty." December 19th, 2020.
[50] National Partnership for Women & Families. "Paid Family and Medical Leave: Good For Business." September 2018.
[51] Bipartisan Policy Center. "The Economic Impact of America's Child Care Gap." November 2021.
*The analysis was based on 35 states due to pandemic-driven interruptions in research.
[52] Morissey, Taryn." Addressing the need for affordable, high-quality early childhood care and education for all in the United States." February 18th, 2020.
[53] Heckman, James J. "Invest in Early Childhood Development: Reduce deficits, strengthen the economy." Dec. 2012.
[54] An Open Letter from Economists and Public Policy Scholars in Support of Long-term Care Investments. October 2021.

Access to Affordable Child Care and Labor Force Participation
Research suggests numerous economic gains from expanding access to affordable, high-quality child care, including enabling mothers to enter the labor market, increasing worker productivity, and decreasing costs to businesses incurred through child-care related employee absenteeism.[55] Potentially, such an investment would increase the number of mothers with young children working full-time/full-year by about 17%, and by 31% for women without a college degree.[56] Increased labor force participation will in turn have implications for the financial security of these mothers as they reach retirement age.[57] Research also shows that if provision of child care were made universal, it would enable young parents to both attend and afford higher education and training programs, so that early parenthood does not mean the end of their own human capital development and subsequent income increases.[58] These findings are critical in light of the latest data that 20% of US college students were raising children (more than 4 million people) in 2018.[59] Finally, increased female labor force participation is associated with positive aggregate economic outcomes such as increased wages for both men and women[60] and higher GDP growth of about 5% per year if women participated in the labor force at the same rate as men.[61]

Long-term Care and Job Creation
Some economists and policy experts further argue that robust investments in elder care and specifically in home-based care can also help strengthen the economy by creating jobs, reducing spending incurred when shifting people out of nursing homes, and improving care outcomes for the elderly.[62] According to Moody's Analytics, the renowned global financial firm, investments in home and community-based services are projected to accelerate economic recovery in the near-term and increase GDP and create hundreds of thousands of jobs in the long-term.[63]

Investments in the care workforce are critical for preparing the economy for the jobs of the future. For instance, almost 40% of projected job opportunities in emerging professions will be created in the care sector, including in child care, elder care, and nursing, according to the World Economic Forum (WEF).[64] In the US specifically, WEF projects that 70% of the aging population will need some sort of long-term care, as the share of those aged 65 and over is expected to grow to 21% by 2050 – up from around 15% in 2015. Given that the supply and demand for care workers are currently moving in opposite directions,[65] particularly in the aftermath of the COVID-19 pandemic,[66] increasing the supply of the care workforce through

[55] First Five Years Fund. "Support for Working Families." 2021.
[56] National Women's Law Center. "A Lifetime's Worth of Benefits: The Effects of Affordable, High-quality Child Care on Family Income, the Gender Earnings Gap, and Women's Retirement Security. April 12th, 2021.
[57] Ibid.
[58] Ibid.
[59] US Government Accountability Office. "More Information Could Help Student Parents Access Additional Federal Student Aid." August 2019.
[60] Weinstein, Amanda. Harvard Business Review. "When More Women Join the Workforce, Wages Rise — Including for Men." January 31st, 2018.
[61] Aguirre, et al. Empowering the Third Billion: Women and the World of Work in 2012. New York. 2012.
[62] An Open Letter from Economists and Public Policy Scholars in Support of Investments in Home and Community Based Services. October 7th, 2021.
[63] Moody's Analytics. Macroeconomic Impact of Home and Community-Based Services Expansion. September 20th, 2021.
[64] World Economic Forum. "40% of all projected job opportunities will be created in this sector. And it's not tech." 2021.
[65] American Action Forum. 2020. The Ballooning Costs of Long-Term Care. February 18th, 2020.
[66] National Association for the Education of Young Children. September 2021.

more competitive wages[67] will effectively help to keep the costs of care down, by anticipating the increased demand for the care workers.[68] In addition, Moody's Analytics estimates longer-term higher economic growth will be made possible by boosting the employment of family caregivers.[69]

Early Childhood Experiences and Human Capital Investment

Investments in early childhood experiences, including through ensuring paid parental leave,[70] providing Child Tax Credits (CTC), and early childhood education opportunities, can pay off over an entire lifetime.[71] A seminal National Academy of Science report concludes, "[t]he scientific evidence on the significant developmental impacts of early experiences, caregiving relationships, and environmental threats is incontrovertible."[72] Investments in early childhood education, when brain development is most rapid and while the parents are at their lowest earning years,[73] have tremendous potential for increasing future American economic competitiveness. For instance, paid family leave allows more time for early child-parent bonding experiences. Since the expanded CTC has no work requirement, it may also help support the choice of a parent to stay at home with the child. Early evidence suggests direct positive impacts of CTC on children and families, such as reduced food insufficiency and lessened economic hardship.[74] Finally, whether a parent chooses to stay home with the child or not, universal preschool (pre-K) education can help alleviate some of the financial stress on parents while also enhancing school readiness for children.[75]

Overall Economic Growth

Finally, there is a growing consensus, including among business leaders,[76] that investments in the care functions of the economy are an integral part of economic recovery[77] and growth strategies.[78] In fact, two recent analyses of macroeconomic impacts of investment in child care[79] and in home and community-based services[80] from Moody's Analytics suggest positive effects

[67] World Economic Forum. "40% of all projected job opportunities will be created in this sector. And it's not tech." 2021.
[68] Moody's Analytics, Macroeconomic Impact of Home and Community-Based Services Expansion, September 20th, 2021.
[69] Ibid.
[70] Morrissey, Taryn. "Addressing the need for affordable, high-quality early childhood care and education for all in the United States " Washington Center for Equitable Growth. February 18th, 2020;
Hayes, Tara O'Neil Hayes. "How Children Benefit from Paid Family Leave Policies." American Action Forum. 2020.
[71] Heckman, James J. "Invest in early childhood development: Reduce deficits, strengthen the economy." 2012.
[72] National Research Council. "From Neurons to Neighborhoods: The Science of Early Childhood Development." Washington, DC: The National Academies Press. 2000.
[73] U.S. Department of the Treasury. "The Economics of Child Care Supply in the United States," September 2021.
[74] U.S. Census Bureau. "Economic Hardship Declined in Households with Children as Child Tax Credit Payments Arrived." August 11th, 2021. The first payment of the expanded CTC on its own kept approximately 3 million children from falling into poverty in July 2021. Without the CTC payment, the researchers deduced that the monthly child poverty rate would have been 4.1 percentage points or 25.6% higher, according to the US Census Bureau.
[75] Gormley, et al. "The effects of universal pre-K on cognitive development. Dev Psycho." 2005.
[76] Council for Strong America. "Want to Grow the Economy? Fix the Child Care Crisis." January 2019.
[77] OECD. "Starting Strong VI : Supporting Meaningful Interactions in Early Childhood Education and Care." 2021;
"An Open Letter from Economists and Public Policy Scholars in Support of Investments in Home and Community Based Services." October 7th, 2021;
World Economic Forum. "Here's why post-COVID-19 recovery plans should focus on care work," April 15th, 2021.
[78] First Five Years Fund. "U.S. Chamber of Commerce Calls for Greater Support and Investments for Child Care to Spur Economic Recovery," June 3rd, 2021.
[79] Moody's Analytics. "Macroeconomic Consequences of the Infrastructure Investment and Jobs Act & Build Back Better Framework," November 4th, 2021.
[80] Moody's Analytics. "Macroeconomic Impact of Home and Community-Based Services Expansion," September 2021.

of these investments on long-term economic growth. The findings in the first report predict strong employment effects from federal support for child care for mothers with young children. The second report suggests that investments in home-based care will result higher labor force participation, particularly by lower-income women spurred by the investments in home and community-based services.

What Works for Families and the Economy?

As the US prepares to revitalize the economy after the pandemic, there are notable models of successful program designs and implementation of care programs from the private sector, state and local governments, and the international community to consider.

Private Sector Initiatives

As of 2019, only 4% of businesses offered subsidized child care center or child care program benefits.[81] Of the companies that do, Patagonia, a designer of outdoor clothing and gear for sports, reports a significant return on investment as a result of their on-site child care program launched in 1983. For instance, the company reports that almost all their working mothers have returned to work after maternity leave, and parents with children at the centers have been 25% less likely than the average employee to leave the company. Supporting families has proven to be an effective retention and a significant cost-reduction strategy for Patagonia, as the company is able to reduce expenses for hiring and training. In addition, the company enjoys the Employer-Provided Child Tax Credit benefits[82] because of its qualified child care program, recovering approximately half of its tuition costs.[83] Johnson & Johnson, an employer of about 135,000 employees, has opened five child care centers since 1990, offering the employees subsidized tuition.[84] Since 2015, Johnson & Johnson has offered eight weeks of paid leave for parents welcoming a new child, and up to 17 weeks of paid leave for mothers who have given birth.[85]

State and Local Governments

Local governments that have enacted family support policies and programs have likewise reported significant returns on investments in the form of increased labor productivity and benefits to businesses. For example, in California, which enacted a state family paid leave program more than a decade ago,[86] 9% of businesses reported that the program has generated savings through reducing employee turnover and/or reducing their own benefits costs, and 87% of businesses reported no increased costs as a result of the program.[87] In addition, although all employers surveyed reported positive outcomes from paid leave, the small- and medium-sized businesses (those with fewer than 50 employees and those with 50 to 99 employees) reported

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[81] Society for Human Resource Management. "The 2019 Employee Benefits Survey." April 2019.
[82] The Employer-Provided Child Care Credit under the Internal Revenue Code Section 45F offers employers a tax credit of up to 25% of qualified child care expenditures and 10% of qualified child care resource and referral expenditures. The credit is capped at $150,000. For more information, visit: https://www.irs.gov/forms-pubs/about-form-8882.
[83] Reuters. "Companies Offering Child Care get grown-up payback". August 20th, 2020.
[84] Ibid.
[85] Johnson & Johnson. "7 Ways Johnson & Johnson Has Been at the Forefront of Supporting Its Employees Since 1886." September 3rd, 2017.
[86] The paid family leave program in California was established as a component of the State Disability Insurance program (SDI) and is financed by "covered workers through payroll deductions". For more information, please visit: https://edd.ca.gov/pdf_pub_ctr/de2530.pdf.
[87] National Partnership for Women and Families. "Paid Family and Medical Leave: Good For Business." September 2018.

even greater positive outcomes,[88] underpinning the role of the government-led programs in supporting a dynamic economy.

International Community
Over the past twenty years, Norway has considerably expanded comprehensive public funding for early childhood education and care (ECEC), enabling a rapid expansion of service provision. The benefits include parental leave available for parents of children up to the age one and a publicly funded kindergarten option from age one to five. While the majority of parents enroll their children in kindergarten, a cash-for-care benefit is also available for parents not using kindergarten for their 1-year-olds, enabling families' choice.[89] Their female labor force participation has been steadily increasing along with the increases in the ECEC provisions.

Over the past 15 years, Australia has made great strides in improving access to and quality through the introduction of a national curriculum framework of ECEC programs through subsidies and legal entitlements to families. The provision of ECEC programs involves mostly formal center-based settings with a small percentage of home-based settings. The quality of programs is monitored collaboratively across the federal, state, and territory levels of government. For the period 2022 to 2025, the national government will provide funding to states and territories to ensure children's enrollment in15 hours of free ECEC per week.[90]

Federal Legislation under Consideration

The US Congress is considering legislation, entitled the Build Back Better Act, that could address some of the concerns laid out previously. The version that passed the U.S. House of Representatives on November 18, 2021 and is currently pending Senate consideration aims to narrow or close the existing economic investment gaps and lack of supply of care workers. Provisions in Build Back Better[91] would:

- Make Child Care More Affordable ("Birth Through Five Program"): This program would provide children ages 0-5 with access to high-quality early childhood care by capping maximum family copayment at 7% of income, phasing in a sliding scale fee system over three years. Families earning under 75% of State Median Income (SMI) would access child care without a fee, and families earning no more than 250% of SMI will become eligible for child care assistance after a three year phase in period.

- Directly Support the Care Workforce: The legislation would create renewable three-year grants from the Department of Labor in coordination with the Department of Health and Human Services' (HHS) Administration for Community Living to eligible entities, including tribes, labor organizations and non-profit organizations, to give direct support to the care workforce. Grants can be used to invest in strategies to recruit, retain, and advance the direct care workforce; implement models and strategies to make occupations in direct care more attractive to potential workers; and improve wages, including through training and registered apprenticeships, career

[88] Ibid.
[89] OECD. Early Childhood Education and Care Policy Review Norway. 2015.
[90] OECD. ECEC Country Note: Australia. 2021.
[91] Build Back Better Act-Rules Committee Print 117-18 Section-By Section.

pathways and mentoring. By increasing the supply of care workers, the current labor shortages will be alleviated, and the costs to families reduced.

- Make Preschool Universally Available to Children 3 and Over: The legislation provides funding to support preschool programs in states, Indian tribes, tribal organizations, territories, and entities serving families engaged in migrant or seasonal agricultural labor. States would use the majority of funds for subgrants or contracts with eligible providers to cover the costs of enrolling or serving children in preschool programs, prioritizing high-need communities before expanding services to lower-need communities.

- Extend and Modify the Child Tax Credit (CTC): The legislation ensures that families continue to get a significantly expanded Child Tax Credit via monthly payments (as enacted under the American Rescue Plan) through 2022, and it would permanently make the full credit available to children in families with low or no earnings in a year (known as full refundability of the tax credit).[92]

- Provide Four Weeks (20 workdays) of Paid Family Leave and Medical Leave: The program would be available to full-time workers, part-time workers (including gig workers) and other self-employed workers.

- Invest in Home-based, Community-based and Long-Term Care Quality and Workforce: The legislation would provide grants to states to develop plans to expand access to home and community-based services (HCBS) and strengthen the care workforce.

[92] Center on Budget and Policy Priorities. "Build Back Better's Child Tax Credit Changes Would Protect Millions from Poverty – Permanently" November 11th, 2021.